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Business Credit Corporation

2000 ANNUAL REPORT

Northwest Territories
Business Credit Corporation

Northwest Territories
Resources, Wildlife & Economic Development

102-02109/

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I. MESSAGE FROM THE CHAIRPERSON - 2000

THE HONOURABLE JOSEPH HANDLEY
MINISTER
RESOURCES, WILDLIFE AND ECONOMIC DEVELOPMENT

I have pleasure in presenting the Annual Report of the Northwest Territories Business Credit Corporation (BCC) for the fiscal year ending March 31, 2000.

The changes in the BCC during this millennium year were reflective of the changing times, recognizing the stability of the past but looking forward to new innovations and growth in the future.

During the year we welcomed you as our new Minister and said farewell to the Honourable Stephen Kakfwi, to whom we give thanks for many years of valued support and the introduction of several exciting, innovative changes.

Following the appointment of new Directors, representing Community Futures Organizations throughout the NWT, and a proposal received from the Minister, the BCC Board recognized the need to streamline financial program delivery and pool available resources.

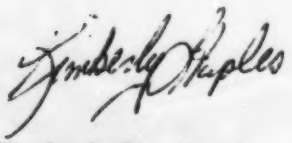
It also seemed appropriate in this millennium year that, with the creation of Nunavut and the transfer of their assets to their own BCC, this was the first year of the new Northwest Territories BCC. We look forward to responding to the new challenges brought by this change, in developing partnerships and creating a favorable climate for businesses to flourish in our new Territory.

To assist Nunavut with an orderly transition, BCC continued to manage their portfolio under a contract back arrangement. It is interesting to note, that even with the asset transfer to Nunavut, the BCC portfolio alone since has grown to over $32 million, which is almost up to the pre-transfer total (Nunavut and BCC combined) of $34 million.

I. MESSAGE FROM THE CHAIRPERSON – 2000 (continued)

The financial results for this year showed an increase in the number and value of credit facilities authorized, compared with the year before. A total of 74 credit facilities were authorized this year for a total of $9.99 million, compared with 69 credit facilities for $7.4 million in 1999 (Nunavut excluded). There was a significant increase of 88% in the dollar level of approvals in Level 2 and 3 communities, showing that the BCC mandate is still essential for the smaller communities. Although credit facilities to Level 1 communities also increased, these approvals were mainly in the communities outside of Yellowknife.

I wish to thank the Board of Directors, the BCC CEO and staff and the Deputy Minister and staff of the Department of Resources, Wildlife and Economic Development, for their support and assistance throughout the year.



Kimberly Staples
Chairperson

II. BOARD OF DIRECTORS (ON MARCH 31,2000)

Ms. Kimberly Staples	Chairperson	Yellowknife
*Mr. Darrell Beaulieu	Vice-Chairperson	Yellowknife (Ndilo)
Ms. Freida Martselos	Director	Fort Smith
Mr. Gordon Villeneuve	Director	Fort Simpson
*Ms. Alison de Pelham	Director	Fort Simpson
*Mr. Michael Maher	Director	Hay River
*Mr. Eddie Dillon	Director	Tuktoyaktuk
*Mr. Jackson Lafferty	Director	Rae-Edzo
*Ms. Bertha Lennie	Director	Tulita

*** Directors representing Community Futures Organizations**

III. OBJECTIVE

The objective of the BCC is to stimulate economic development and employment in the Northwest Territories, by making loans to business enterprises, guaranteeing loans made by financial institutions to businesses and by providing bonds to resident business enterprises. It is responsible for making business loans to northern businesses where conventional lending institutions are not prepared to participate. Its role, therefore, is a blend of being a last resort lender and a developmental agency to provide financial support for higher risk entrepreneurial ventures.

IV. HISTORICAL HIGHLIGHTS

1970 The Small Business Loan Fund was created by Indian and Northern Affairs Canada, to provide financing to those businesses and individuals unable to obtain reasonable commercial debt financing from conventional lenders.

1977 The Small Business Loan Fund was transferred to the Government of the Northwest Territories. The scope of the fund was expanded to allow the provision of loan guarantees and loan and guarantee limits were increased to $500,000 from $50,000.

1982 The Business Loan and Guarantees Fund was opened to all qualifying territorial businesses and the word small was removed from the fund's title. Previously businesses whose gross revenues exceeded $1 million were ineligible.

1985 The Fund provided contract security to businesses unable to obtain the bonding required to participate in NWT Housing Corporation construction projects.

1986 The Fund's capitalization was increased to $16 million.

1989 The Fund's capitalization was increased to $20 million.

1991 The *BCC Act* was proclaimed and the Corporation commenced operations. Loan and guarantee limits were raised to $1 million.

1992 The assets of the Business Loans and Guarantees Fund were transferred to the Business Credit Corporation.

IV. HISTORICAL HIGHLIGHTS (continued)

1993 The BCC is included in a review of Department of Economic Development & Tourism in connection with reorganization of the Department and the Business Credit Corporation.

1994 In accordance with the suggestions incorporated in this review, BCC staff is increased to provide a greater degree of independence and increased service to clients.

Lending authority, to a maximum of $200,000, is delegated to Regional Superintendents of Department of Economic Development & Tourism. This is designed to provide quicker turn-around time for the majority of BCC loan applications.

Operational Procedures are formulated by BCC, in consultation with the Department of Economic Development & Tourism, to provide guidance and support to Regional Superintendents and ensure conformity with prudent lending practices, at the same time acting in accordance with Ministerial Directives and the objectives of the BCC.

1995 The BCC's fund limit is increased to $23 million. This limit can be extended as far as $50 million under the existing legislation, upon approval of the Financial Management Board.

1996 BCC's Fund limit is increased to $28 million.

IV. HISTORICAL HIGHLIGHTS (continued)

1997 BCC reports to the Minister of the newly amalgamated Department of Resources, Wildlife and Economic Development (RWED).

Sahtu Regional Office established. Credit facilities to businesses in this area were transferred to Sahtu from the Inuvik Region, who formerly administered this area.

Access to Capital - a review of lending for small business in the North, is commissioned by RWED. This report considers the BCC and local Community Futures organizations to see how they can work together to provide the best service to the public.

1998 BCC's Fund limit is increased to $33 million.

1999 BCC's Fund limit is increased to $38 million.

New Directors, representing Community Futures Organizations, are appointed to the Board on March 31st, 1999.

2000 Loan balances totalling $7.457 million are transferred to the newly created Nunavut BCC.

BCC administers Nunavut's loan portfolio under a one year service agreement up to March 31, 2000.

V. LENDING PARAMETERS

a) Maximum liability for any one business or group of related businesses - $1 million;

b) Maximum amount for any one business loan, bond, guarantee or indemnity - $1 million;

c) Maximum loan term – 5 year

d) Maximum loan amortization - 25 years;

e) Interest rate - two percent (2%) over commercial bank's prime lending rate, set quarterly.

VI. COMMUNITY LEVELS

LEVEL 1 COMMUNITIES - Yellowknife, Hay River, Fort Smith, Inuvik.

LEVEL 2 COMMUNITIES – Fort Simpson, Norman Wells, Rae-Edzo.

LEVEL 3 COMMUNITIES – All other communities not listed above.

VII. CREDIT FACILITY PERFORMANCE AND APPROVAL LEVELS

REGION	2000 FISCAL YEAR END VALUES Estimated Target ($ 000's)	Actual ($ 000's)
1. South Slave		
Loan to CFO's	-	-
Loans to other business enterprises	$2,700	$3,137
Contract Security Facility	$300	$200
Sub Total	*$3,000*	*$3,337*
2. North Slave		
Loan to CFO's		
Akaitcho	$500	-
Dogrib	$500	-
Loans to other business enterprises	$900	$3,568
Contract Security Facility	$75	-
Sub Total	*$1,975*	*$3,568*
3. Deh Cho		
Loan to CFO's	-	-
Loans to other business enterprises	$1,740	$1,544
Contract Security Facility	$100	-
Sub Total	*$1,840*	*$1,544*
4. Inuvik		
Loan to CFO's	-	-
Loans to other business enterprises	$2,450	$950
Contract Security Facility	$200	-
Sub Total	*$2,650*	*$950*
5. Sahtu		
Loan to CFO's	-	-
Loans to other business enterprises	$1,250	$587
Contract Security Facility	-	-
Sub Total	*$1,250*	*$587*
TERRITORIAL TOTAL	**$10,715**	**$9,986**

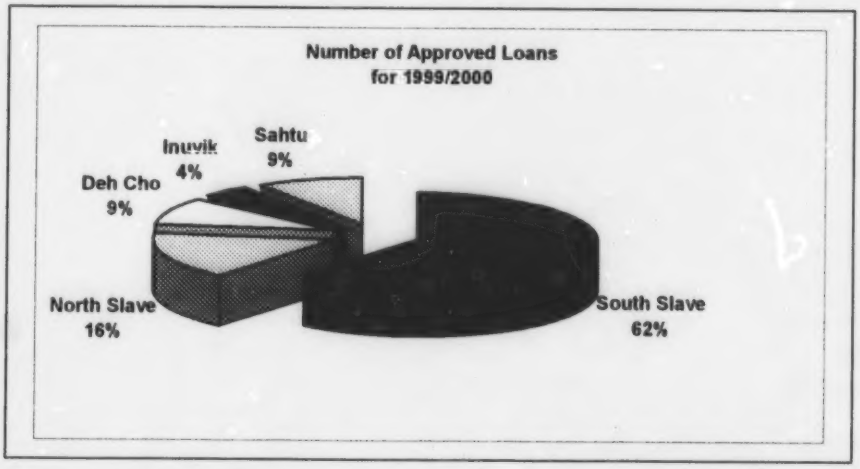
VIII. LOAN ACCOUNTS WRITTEN OFF (FISCAL YEAR 1999-2000)

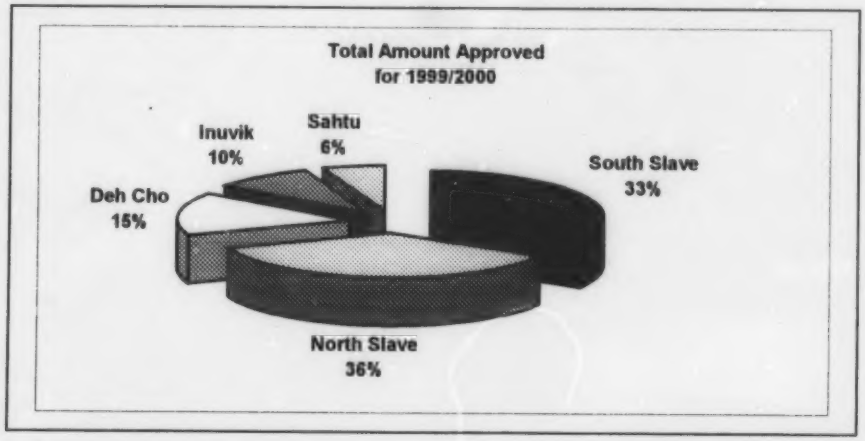
ACCOUNT	AMOUNT
1. 882441 NWT Ltd. Known as "Picture This"	$19, 834.34
2. Crystal Cleaning A proprietorship of Lorraine Bourke	$3,731.63
3. Lucy Bourke	$1,667.62
4. PD Framing A proprietorship of Paulette Dube	$9,946.68
5. Precision Chemical Distributors A proprietorship of Roy Burke	$12,664.77
6. Quick Cutz A proprietorship of Wilfred Beaulieu	$3,334.24
7. Tomahawk Interiors A proprietorship of Alexander Collinson	$14,040.20
Total Amount Written Off	**$65,219.48**

IX. ANNUAL STATISTICS

REGIONAL SUMMARY OF APPROVED LOANS BY AUTHORITY LEVEL

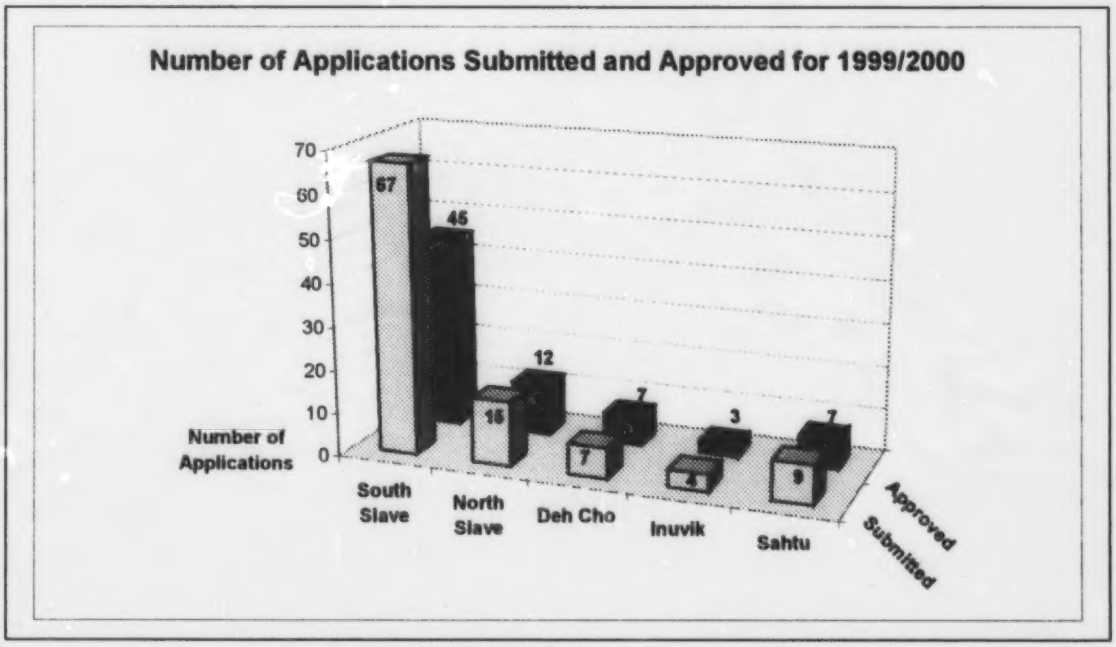
Region	Regional Authority No.	Amount	Board/Minister Authority No.	Amount	Total No.	Total Amount
South Slave	41	2,022	4	1,316	45	3,338
North Slave	8	753	4	2,815	12	3,568
Deh Cho	4	225	3	1,318	7	1,543
Inuvik	1	70	2	880	3	950
Sahtu	6	137	1	450	7	587
Total	**60**	**$3,207**	**14**	**$6,779**	**74**	**$9,986**





NUMBER OF APPLICATIONS SUBMITTED & APPROVED BY REGION

Region	1999 Submitted	1999 Approved	2000 Submitted	2000 Approved
South Slave	29	23	67	45
North Slave	20	15	15	12
Deh Cho	25	22	7	7
Inuvik	4	3	4	3
Sahtu	7	6	9	7
Total	**85**	**69**	**102**	**74**



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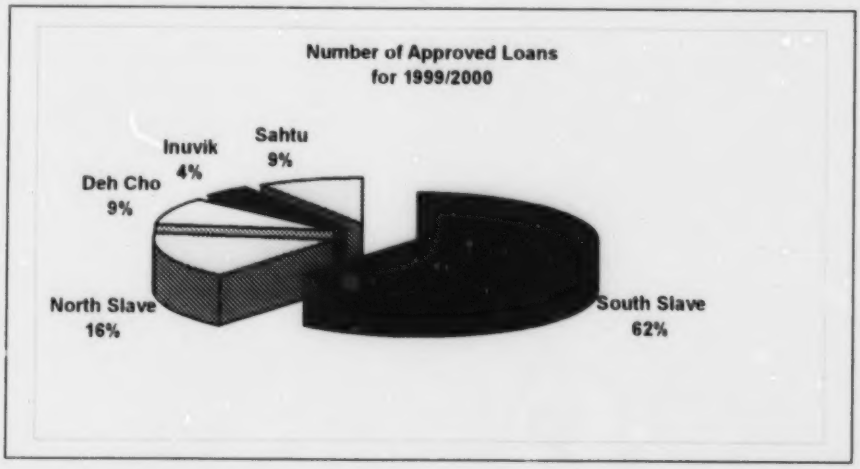

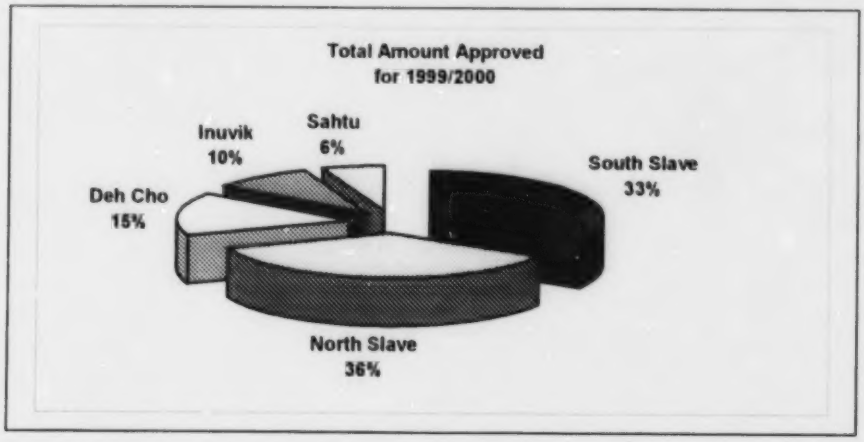

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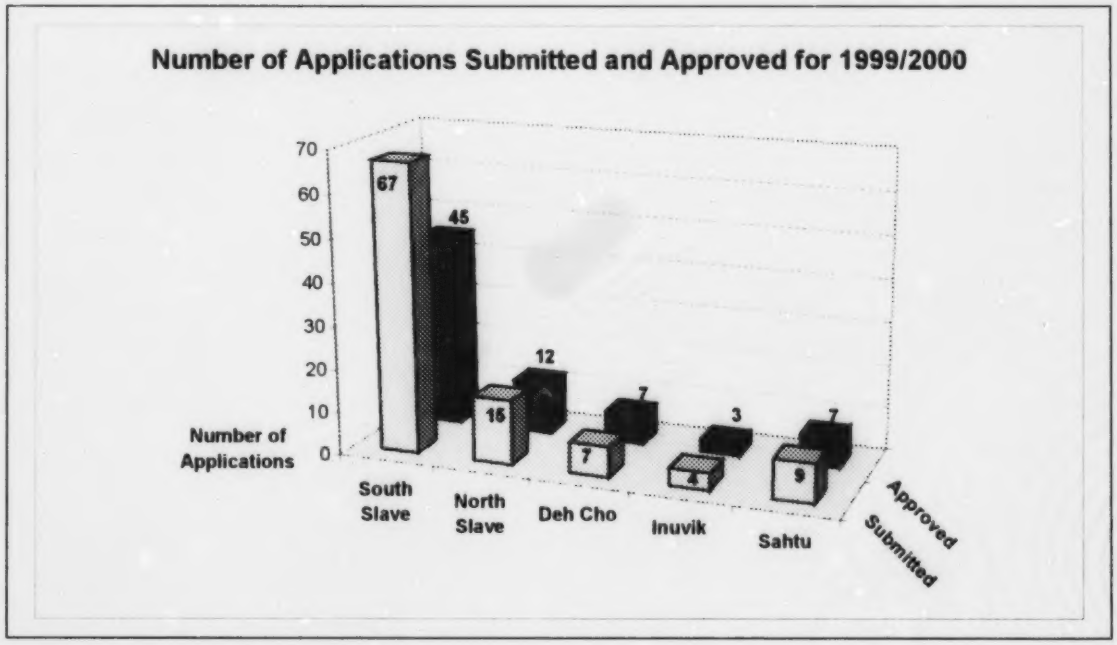

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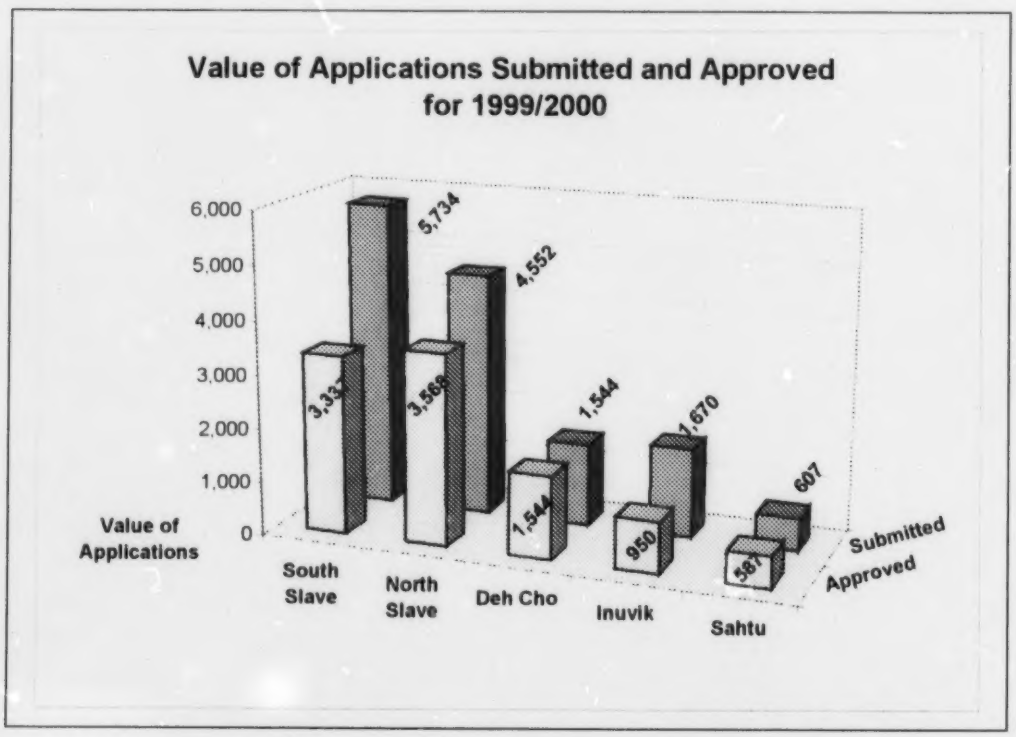
VALUE OF APPLICATIONS SUBMITTED & APPROVED BY REGION ($000)

Region	1999 Submitted	1999 Approved	2000 Submitted	2000 Approved
South Slave	3,431	3,126	5,734	3,337
North Slave	4,153	1,867	4,552	3,568
Deh Cho	693	262	1,544	1,544
Inuvik	177	1,379	1,670	950
Sahtu	805	770	607	587
Total	**9,259**	**7,404**	**14,107**	**9,986**



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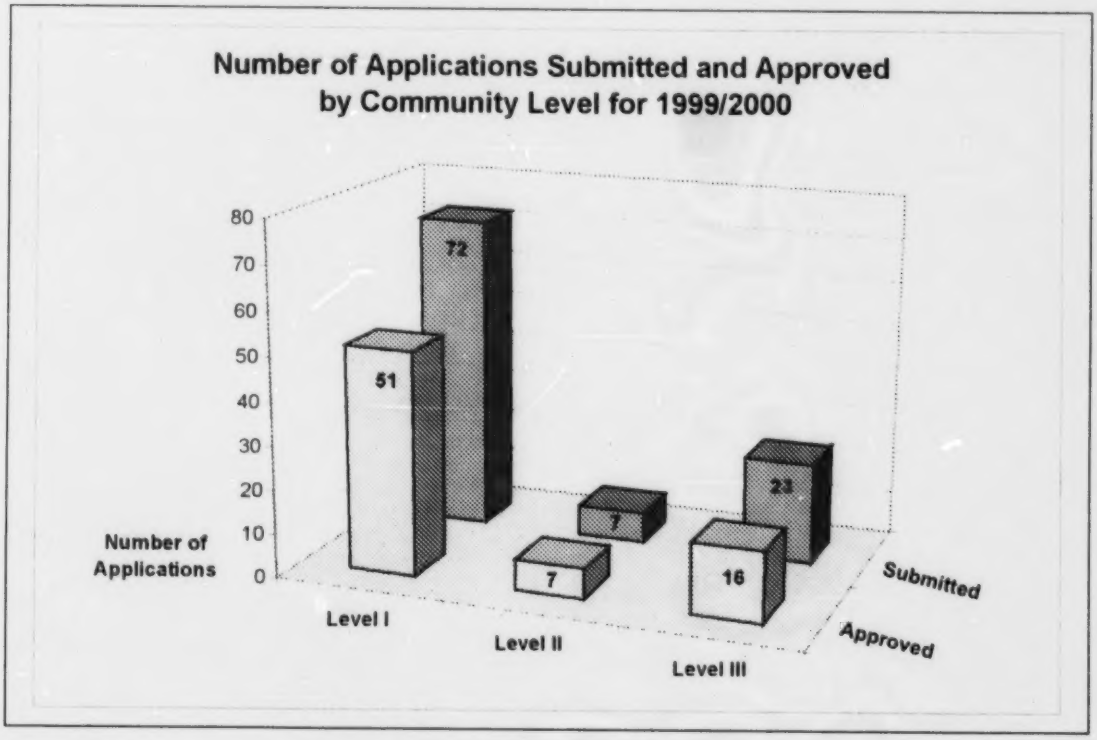
NUMBER OF APPLICATIONS SUBMITTED & APPROVED BY COMMUNITY LEVEL

	Number of Applications Submitted		Number of Application Approved	
	1999	2000	1999	2000
Level I	34	72	27	51
Level II	23	7	21	7
Level III	28	23	21	16
Total	**85**	**102**	**69**	**74**

Community Levels
Level I - Yellowknife, Hay River, Fort Smith, Inuvik
Level II – Rae-Edzo, Fort Simpson, Norman Wells
Level III – All other communities not listed above



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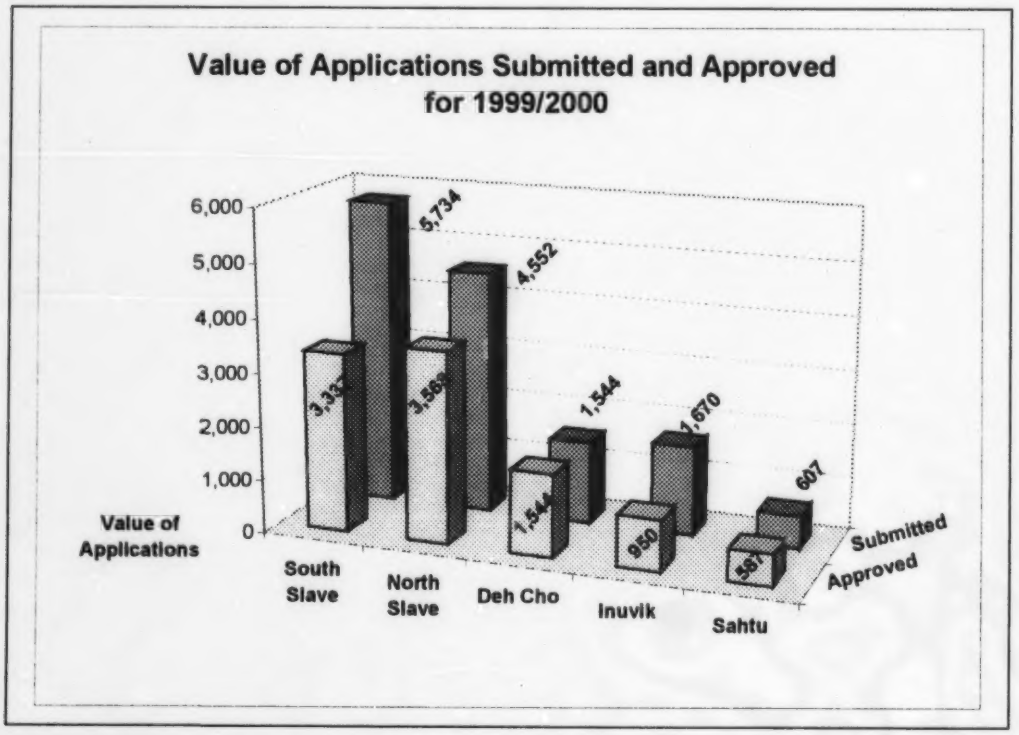

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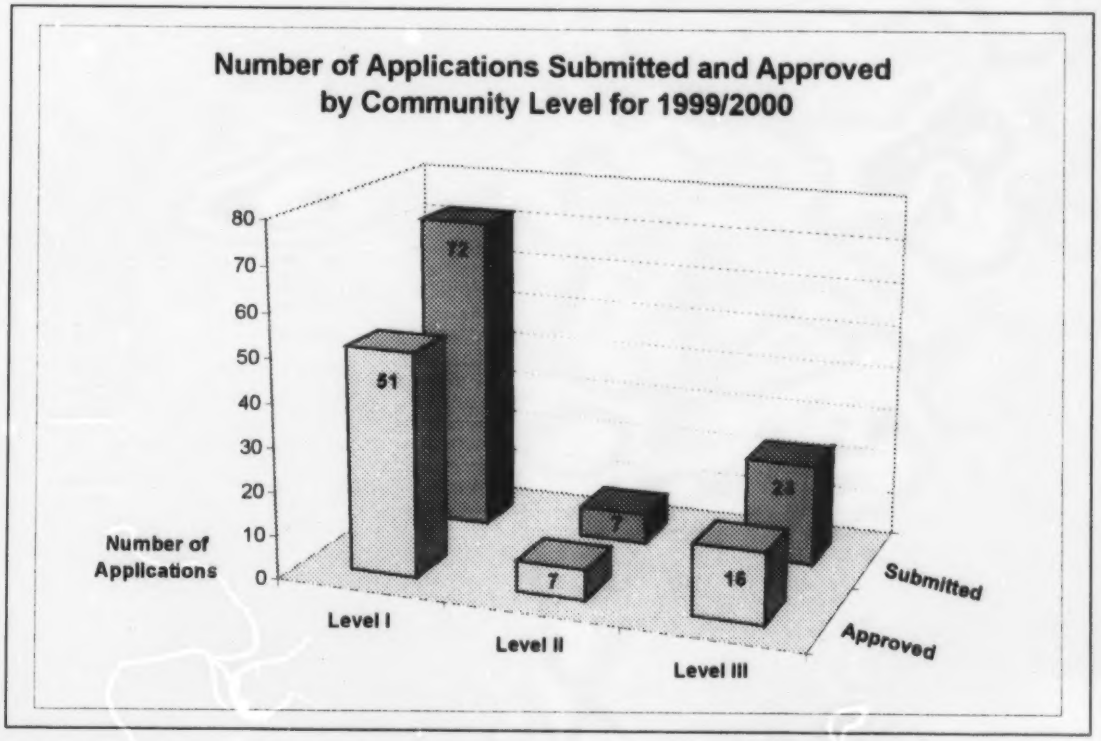

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VALUE OF APPLICATIONS SUBMITTED & APPROVED BY COMMUNITY LEVEL

	Value of Applications Submitted (000's)		Value of Applications Approved (000's)	
	1999	2000	1999	2000
Level I	5,998	8,994	4,999	5,459
Level II	1,106	608	690	608
Level III	3,757	4,505	1,715	3,919
Total	**$10,861**	**$14,107**	**$7,404**	**$9,986**

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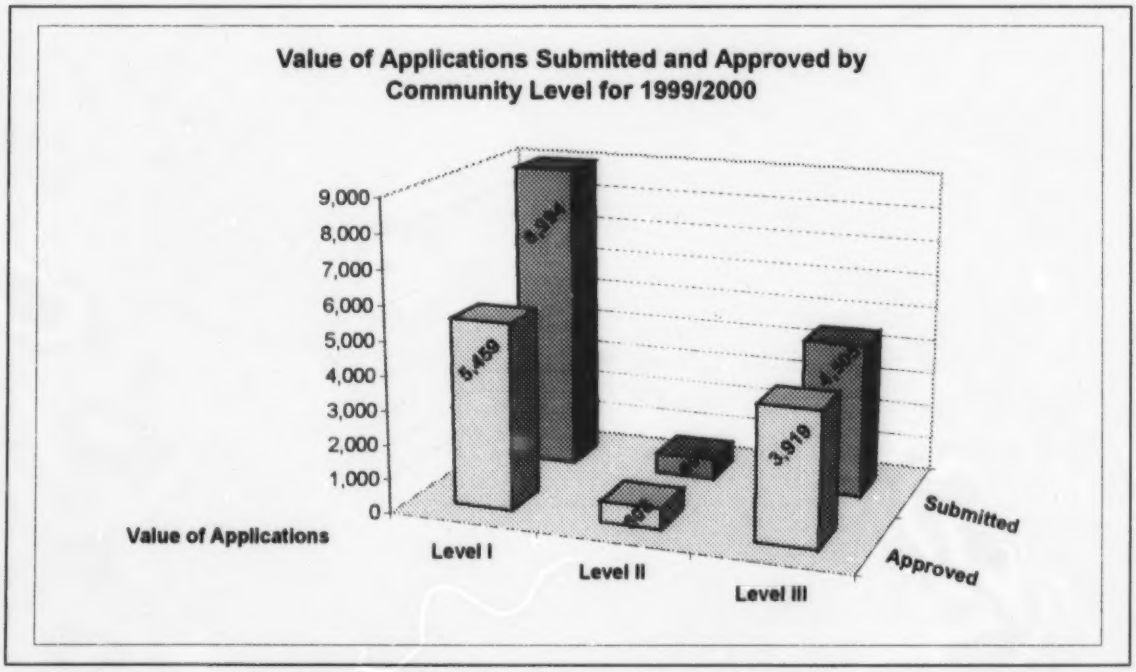

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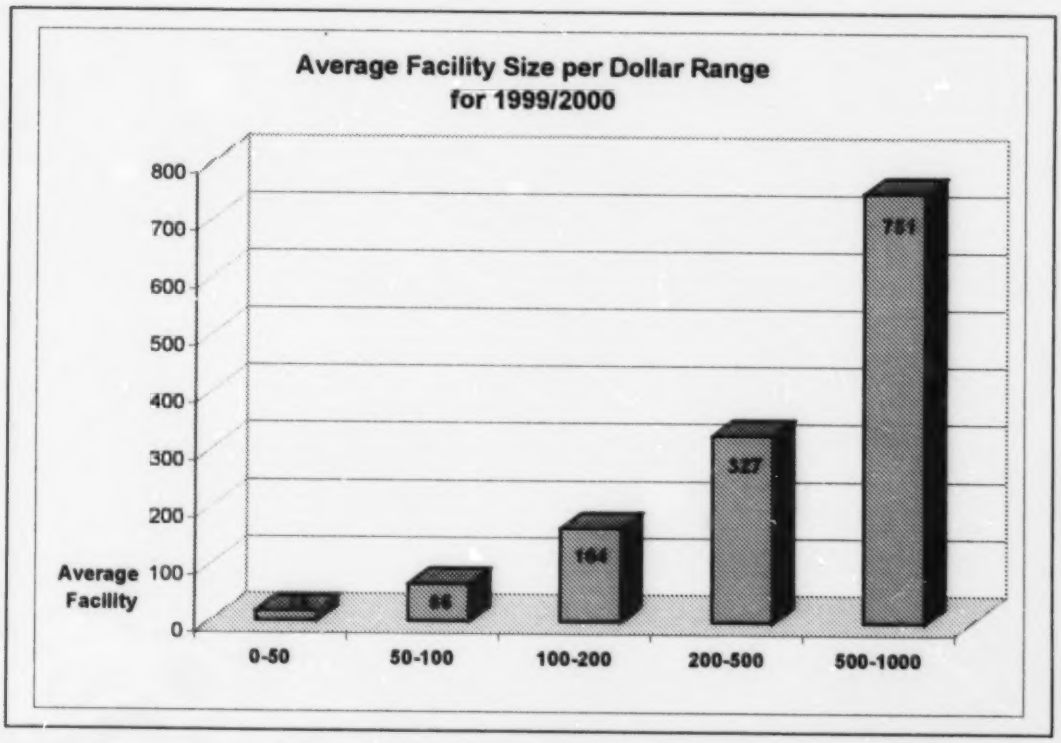
RANGE OF TOTAL CREDIT FACILITIES APPROVED ($000)

Dollar Range	No.	Total Approved Amount	Avg. Facility Size 1999/00	Avg. Facility Size 1998/99
0-50	41	753	18	17
50-100	7	463	66	68
100-200	14	2,303	164	144
200-500	6	1,962	327	308
500-1000	6	4,505	751	855
Total	**74**	**$9,986**	**$135**	**$107**



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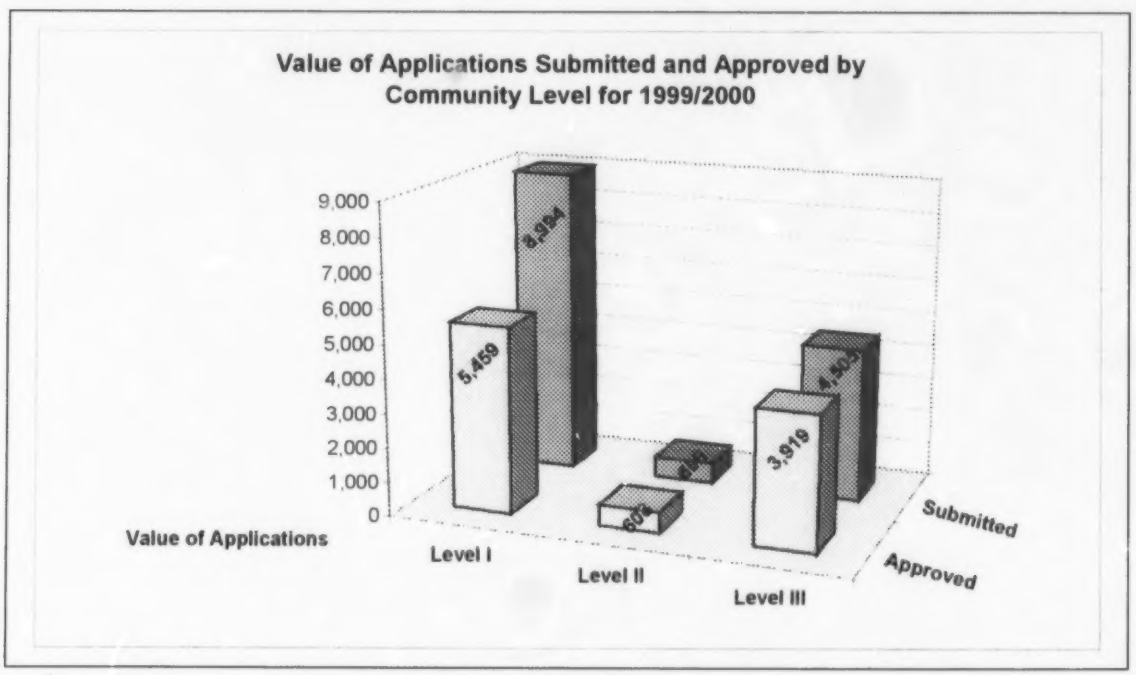

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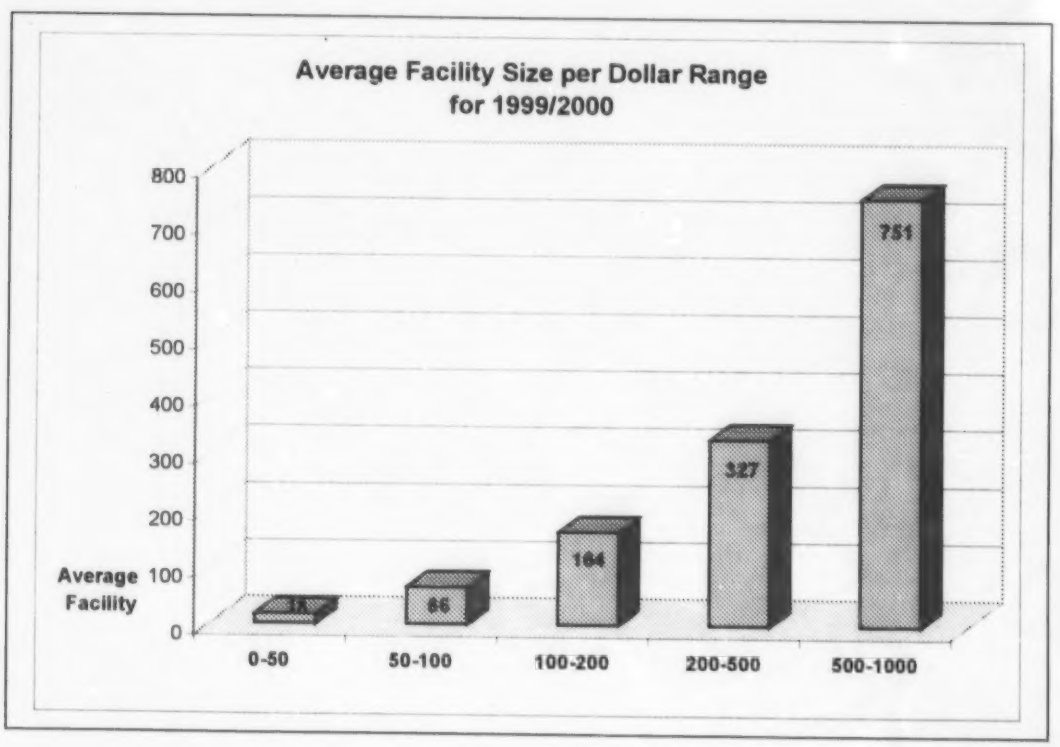

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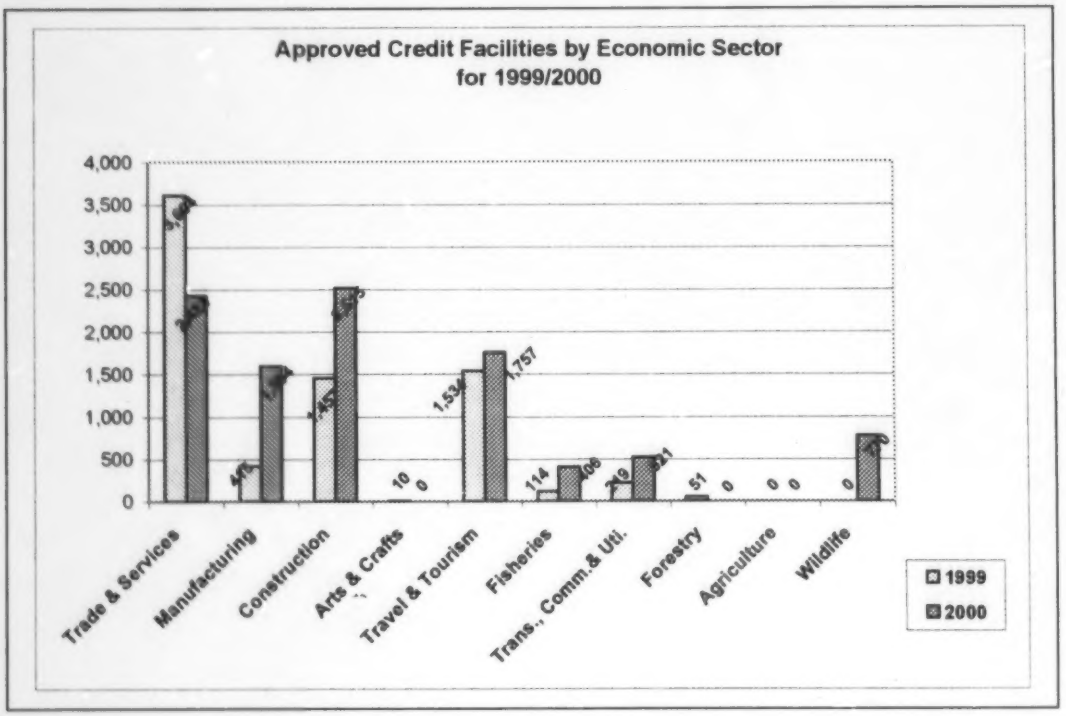
APPROVED CREDIT FACILITIES BY ECONOMIC SECTOR ($000)

Economic Sector	Totals 2000	Totals 1999
Trade & Services	2,423	3,604
Manufacturing	1,594	415
Construction	2,515	1,457
Arts & Crafts	0	10
Travel & Tourism	1,757	1,534
Fisheries	406	114
Trans., Comm.& Uti.	521	219
Forestry	0	51
Agriculture	0	0
Wildlife	770	0
Totals	**$9,986**	**$7,404**



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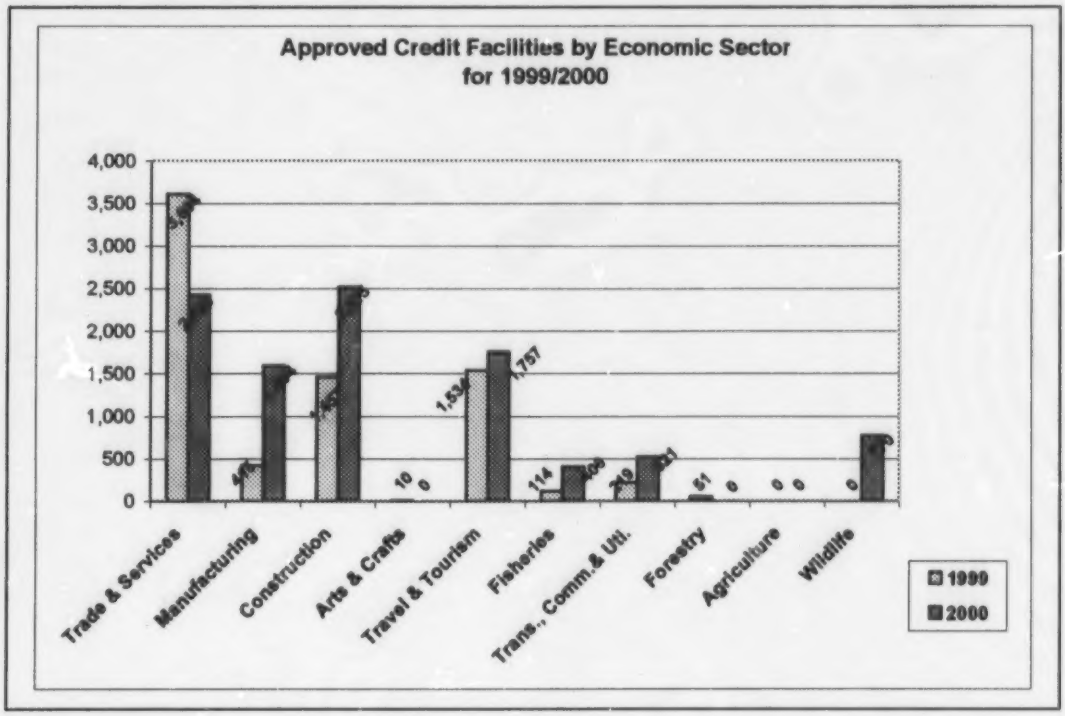

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FINANCIAL STATEMENTS

MARCH 31, 2000

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NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Northwest Territories Business Credit Corporation (the Corporation) were prepared by management in accordance with generally accepted accounting principles. When alternative accounting policies exist, management has chosen those it deems most appropriate in the circumstances. Financial statements include amounts requiring estimates, which have been made based upon informed judgment as to the expected results of current transactions and events, such as the provision for losses on impaired loans and services provided by the Government of the Northwest Territories without charge. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the financial statements.

The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis, and that assets are acquired prudently, used to further the Corporation's aims, and are protected from loss.

The Corporation is subject to the Northwest Territories Business Credit Corporation Act and the Financial Administration Act. It also receives ministerial directives establishing policy guidelines. Management recognizes its responsibility for conducting the Corporation's affairs are in accordance with the requirements of applicable legislation and for maintaining standards of conduct that are appropriate to a territorial Crown corporation.

The Board of Directors appoints certain of its members to serve on the Management Sub-Committee. This Sub-Committee oversees management's responsibility for financial reporting and reviews and recommends the financial statements to the Board for approval.

The Auditor General of Canada annually provides an independent audit for the purpose of expressing his opinion on the financial statements. He also considers whether the transactions that come to his notice in the course of this audit are, in all significant aspects, in accordance with the specified legislation.

Afzal Currimbhoy
Chief Executive Officer

June 9, 2000

Northwest Territories
P.O. Box 1320, Yellowknife, N.W.T. Canada X1A 2L9 Phone: (867) 920-6455 Fax: (867) 873-0308

AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of the
Northwest Territories Business Credit Corporation

I have audited the balance sheet of the Northwest Territories Business Credit Corporation as at March 31, 2000 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, and the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations, the *Northwest Territories Business Credit Corporation Act* and regulations and the by-laws of the Corporation.

Sheila Fraser

Sheila Fraser, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 9, 2000

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

BALANCE SHEET
MARCH 31, 2000

	$ 000's	
	March 31 2000	April 1 1999 (Note 3)
ASSETS		
Cash (Note 4)	$ 345	$ 9
Loans Receivable (Note 5)	31,114	26,848
Accrued Interest Receivable (Note 5)	195	195
	31,309	27,043
Less: Allowance for Losses on Impaired Loans (Note 6)	4,796	4,440
	26,513	22,603
Capital Assets (net of accumulated amortization of $30 (1999: $38))	63	10
	$ 26,921	$ 22,622
LIABILITIES		
Accounts Payable	$ 7	$ -
Deferred Capital Contribution	63	10
Advance from the Government of the Northwest Territories (Note 7)	27,968	23,691
	28,038	23,701
DEFICIT		
Deficit	(1,117)	(1,079)
	$ 26,921	$ 22,622

CONTINGENT LIABILITY (NOTE 8)

APPROVED:

Chairperson of the Board of Directors

Chief Executive Officer

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF OPERATIONS AND DEFICIT
For the Year Ended March 31, 2000

	$ 000's
LENDING ACTIVITIES	
Interest Income on Loans Receivable	$ 1,850
Interest Expense on Advance from the Government of the Northwest Territories (Note 7)	1,467
Net Interest Income	383
Provision for Losses on Impaired Loans (Note 6)	421
Net Loss on Lending Activities	(38)
ADMINISTRATIVE EXPENSES	
Salaries and Benefits	477
Board Meetings	64
Office	40
Professional Fees	39
Communications	18
Amortization	6
Computer Services	5
	649
Net loss before contributions toward administrative expenses	(687)
Less: Contributions toward administrative expenses from:	
Government of the Northwest Territories	489
Service Agreement (Note 10)	160
	649
NET LOSS FOR THE YEAR	(38)
DEFICIT AT THE BEGINNING OF THE YEAR (Note 3)	(1,079)
DEFICIT AT THE END OF THE YEAR	$ (1,117)

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2000

	$ 000's
CASH FLOWS FROM OPERATING ACTIVITIES	
Interest Income on Loans Receivable	$ 1,827
Contributions Received Toward Administrative Expenses	643
Administrative Expenses Paid	(643)
Interest Received on Bank Account	23
	1,850
CASH FLOWS FROM INVESTING ACTIVITIES	
Loans Receivable Repaid	3,921
Loans Receivable Disbursed	(8,245)
Purchase of Capital Assets	(59)
	(4,383)
CASH FLOWS FROM FINANCING ACTIVITIES	
Advance from the Government of the Northwest Territories	4,513
Repayment of Advance from the Government of the Northwest Territories	(1,703)
Contribution Received Toward Acquisition of Capital Assets	59
	2,869
NET INCREASE IN CASH	$ 336
Cash at Beginning of the Year	$ 9
Cash at End of the Year	$ 345

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2000

1. AUTHORITY, OBJECTIVE AND OPERATION

The Corporation was established in 1991 pursuant to the Northwest Territories Business Credit Corporation Act (Act). It is subject to the Financial Administration Act and is a Crown corporation of the Government of the Northwest Territories (the Government).

The Corporation's objective is to stimulate economic development and employment in the Northwest Territories to resident business enterprises, by providing loans, guaranteeing loans made by financial institutions, providing bonds and indemnifying bonding companies which have provided bonds. In addition, the Corporation is responsible for making business development loans to Northern businesses to create economic development opportunities in communities where conventional lending institutions are not prepared to participate. The Corporation's role is a blend of being a last resort lender and a developmental agency for higher risk entrepreneurial ventures.

Economic dependency

The Corporation is economically dependent upon the Government's continuing contributions for direct administrative expenses and advances.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles. The significant accounting policies followed by the Corporation in the preparation of these financial statements are summarized below.

Loans

Loans are stated at the lower of principal amounts or estimated realizable amounts receivable. Accrued interest receivable and an allowance for losses on impaired loans are recorded separately.

Allowance for losses on impaired loans

The allowance for losses on impaired loans represents management's best estimate of probable losses on loans at the end of the fiscal year. The allowance has a specific and general component.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for losses on impaired loans (cont'd)

a) Specific allowance: A loan is classified as impaired when one or more of the following conditions exist:

- in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal or interest, or
- principal or interest is six months past due, unless the loan is well secured, or
- the loan has been previously restructured and principal or interest is three months past due, or
- principal or interest is twelve months past due regardless of whether or not the loan is well secured.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated realizable amount. This is the lower of the recorded amount of the loan or the estimated net fair market value of the underlying security of the loan. The amount of initial impairment and any subsequent changes in the amount of impairment are recorded as a charge or credit to the specific allowance.

b) General allowance: In addition to the specific allowance, the Corporation maintains a general allowance, established at two percent (2%) of loans receivable, net of the specific provision, to reflect management's estimate for losses on those impaired loans which cannot yet be specifically identified. The general allowance is determined based on historical loss experience, aggregate exposure in particular industries or geographical regions, and prevailing economic conditions.

Revenue recognition

Interest revenue on loans receivable is normally recognized on an accrual basis. The Corporation ceases to accrue interest once a loan is classified as impaired. Payments received on impaired loans are credited to the loan balance and recognized as revenue only when either the loan balance has been repaid or the loan is no longer classified as impaired. Payments received on any previously written off loans are recognized as revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight line basis over the estimated useful life of the assets as follows:

Computers	3 years
Furniture and Equipment	4 years

Pension contributions

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation matches employees' contributions for current or prior service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation.

3. CHANGES IN OPERATIONS

On April 1, 1999, the Nunavut Act came into effect, duplicating the Northwest Territories legislation including the Business Credit Corporation Act for Nunavut and creating the Nunavut Business Credit Corporation (NBCC). All operations of the Corporation within the Territory of Nunavut were transferred to the NBCC on this date.

The consequential allocation of assets, liabilities and deficit to the two territorial Corporations effective April 1, 1999, as approved by the respective representatives, is as follows:

BALANCE SHEET	$ 000's		
		April 1, 1999 Corporation in	
ASSETS	March 31, 1999	Nunavut	N.W.T.
Cash	$ 17	$ 8	$ 9

3. CHANGES IN OPERATIONS (CONT'D)

BALANCE SHEET (CONT'D)

	$ 000's		
ASSETS (CONT'D)	March 31, 1999	April 1, 1999 Corporation in Nunavut	N.W.T.
Loans Receivable	34,224	7,376	26,848
Accrued Interest Receivable	276	81	195
	34,500	7,457	27,043
Less: Allowance for Losses on Impaired Loans	5,082	642	4,440
	29,418	6,815	22,603
Capital Assets (net of accumulated amortization of $38 (1998: $36))	10	-	10
	$ 29,445	$ 6,823	$ 22,622
LIABILITIES			
Deferred Capital Contribution	$ 10	$ -	$ 10
Advances from the Government of the Territories	31,373	7,682	23,691
	31,383	7,682	23,701
DEFICIT			
Deficit	(1,938)	(859)	(1,079)
	$ 29,445	$ 6,823	$ 22,622

The April 1 opening balances allocated to the Northwest Territories Business Credit Corporation, as detailed above, are presented in the Balance Sheet for comparative purposes.

3. CHANGES IN OPERATIONS (CONT'D)

Providing pre-Division operating results is not considered meaningful for comparative purposes due to changes in various factors including the reduced size of the loan portfolio, the economic differences in the businesses and the operational differences of the Corporation in the two territories. Additionally, it was not practical to segregate the prior year results between the two territories. Consequently, the statements of operations, deficit and cash flow present only the results for the current year ended March 31, 2000 without comparative figures.

4. CASH

The Corporation's cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. The cash can be withdrawn at any time, and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments depending on the investment class, are rated R-2 High or better from the Dominion Bond Rating Service or A-3 or better from the Canadian Bond Rating Service. The Corporation's average investment yield was 4.6% during the year (1999: 4.6%).

Net investment income of $23,000 is included in Interest Income on Loans Receivable.

5. LOANS AND ACCRUED INTEREST RECEIVABLE

	Range of Annual Interest Rates		$ 000's	
Region	March 31 2000	April 1 1999	March 1 2000	April 1 1999
Loans Receivable				
Deh Cho	6.75- 9.25%	6.75-14.25%	$ 3,618	$ 2,655
Inuvik	6.75- 9.25%	6.75 - 9.25%	3,629	1,943
North Slave	6.75- 9.25%	6.75 - 9.25%	10,211	8,668
Sahtu	6.75- 8.75%	6.75 - 8.75%	2,260	2,634
South Slave	6.75-10.25%	6.75-10.25%	11,396	10,948
			31,114	26,848

5. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

	$ 000's	
Accrued Interest Receivable		
Current	134	106
Arrears	61	89
	195	195
	$ 31,309	$ 27,043

As of March 31, 2000, loans receivable are expected to mature as follows:

Maturity Date	Range of Annual Interest Rates	$ 000s
Loans past due	6.75 – 9.25%	$ 4,457
2001	6.75 – 9.25%	2,897
2002	6.75 – 9.50%	4,288
2003	6.75 – 8.75%	5,618
2004	6.75 – 9.25%	6,506
2005 and beyond	8.25 – 9.25%	7,348
		$ 31,114

Loans receivable and accrued interest include $6,976,000 (1999: $6,336,000) that the Corporation has specifically classified as impaired. In 2000, interest not accrued on impaired loans totalled $580,000 (1999: $522,000).

Write-offs

Under the provisions of the Financial Administration Act, a loan (outstanding principal and interest) can only be approved for write-off by either the Legislative Assembly (over $20,000) or the Board of Directors ($20,000 or less). A loan written off is still subject to collection action.

In 2000, no accounts were written off by the Legislative Assembly (1999: six accounts representing three borrowers totalling $349,049).

The Board of Directors approved the write off of seven accounts representing seven borrowers totalling $65,219 (1999: nil).

In 2000, no recoveries were made on loans written off in previous years (1999: nil).

5. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

Forgiveness

Under the provisions of the Financial Administration Act, a loan can only be approved for forgiveness by either the Legislative Assembly (over $1,000) or the Financial Management Board ($1,000 or less). Once a loan has been forgiven, no further collection action is possible.

In 2000, no accounts were forgiven by the Legislative Assembly (1999: four accounts representing four borrowers totalling $100,930). No accounts were forgiven by the Financial Management Board (1999: nil).

Credit risk

The Corporation's credit risk exposure relating to loans receivable is directly impacted by the borrowers' ability to meet their obligations. This ability is impacted by the borrowers' exposure to fluctuations in the economy of the Northwest Territories.

The Corporation mitigates credit risk by holding no significant concentration with any individual borrower. It is prevented by the Act from lending to any one business enterprise or to a group of related enterprises an amount in excess of $1 million. Where appropriate, the Corporation takes securities for the loans.

6. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS

	$ 000's	
	March 31 2000	April 1 1999
Specific Allowance for Losses on Impaired Loans:		
Balance at beginning of year	$ 3,982	$ 3,898
Provision for the year	341	533
	4,323	4,431
Less: write-offs	65	348
forgiveness	-	101
	65	449
Balance at end of year	4,258	3,982

6. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS (CONT'D)

	$ 000's	
	March 31 2000	April 1 1999
General Allowance for Losses on Impaired Loans:		
Balance at beginning of year	458	403
Provision for the year	80	55
Balance at end of year	538	458
Allowance for Losses on Impaired Loans	$ 4,796	$ 4,440

7. ADVANCE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES

The Act authorizes the Corporation to borrow for the purpose of lending, up to $50 million from the Government through an advance. Increases to the outstanding balance of the advance must be approved by the Financial Management Board based on the need of the Corporation. The balance was not to exceed $38 million as at March 31, 2000 (1999: $38 million).

Interest on the advance is calculated monthly based on the month end rates of selected Government of Canada 3-year bonds, compounded annually. The rate varied from 4.9% to 6.2% during the year (1999: 4.7% to 5.7%).

There are no fixed repayment terms on the advance. Repayment on the advance is made whenever the Corporation has sufficient cash on hand not earmarked for lending purposes.

The carrying amount of the advance from the Government of the Northwest Territories of $27,968,000 (1999: $23,691,000) approximates fair value.

8. CONTINGENT LIABILITY

One legal proceeding against the Corporation is pending related to steps taken by the Corporation to call and enforce its rights involving the collateral security of a loan.

8. CONTINGENT LIABILITY (CONT'D)

The Corporation is named as co-defendant in the proceeding. The amount of the claim is $11,000,000 plus costs. The Corporation's share of potential liability, if any, resulting from this action is not determinable and consequently no liability has been reflected in these financial statements. Liability, if any, will be reflected as an expense when determined.

9. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed, the Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Administrative contribution

Under the terms of administrative agreements between the Corporation and the Government, direct administrative expenses of the Corporation are paid by the Government.

Services provided without charge

The Corporation does not record the value of other capital assets or services provided by the Government without charge in these financial statements. Services provided by the Government include accounting support, employee long term benefits, regional and human resource services as well as office accommodation and some capital assets. The estimated values of these services for the year ended March 31, 2000 are as follows:

	$ 000's
Staff support	$ 163
Accommodation	42
Employee long term benefits	2
	$ 207

Furthermore, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

10. SERVICE AGREEMENT

A one year service agreement with the Nunavut Business Credit Corporation (NBCC) expired on March 31, 2000. Pursuant to the agreement, the NBCC reimbursed the Corporation for the cost of providing various corporate and program delivery services in the amount of $159,750.

The agreement was not renewed on April 1, 2000.